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Alberta ECONOMIC OUTLOOK

AUGUST, 1974

PROVINCIAL AFFAIRS

The Department of Industry and Commerce has recently compiled a list of industrial projects which were classified as being completed, under construction or proposed as of June 30, 1974. An industrial project was defined as (a) an expansion of already existing facilities or (b) the construction of new industrial plants not associated with retail or wholesale trade, transportation or basic construction activities. In addition, only industrial projects with a total capital cost exceeding \$100,000 were considered.

Of the 147 projects compiled in the survey, there is a total dollar value of almost \$6.3 billion, creating 18,405 additional jobs. There are 46 completed projects with a total expenditure of almost \$57.2 million creating 1,279 permanent jobs and 67 projects under construction with a capital expenditure of almost \$1,774 million creating 4,796 jobs. The 34 proposed projects, with a capital expenditure of \$4,464 million possibly creating 12,330 jobs, may not all materialize as some of these projects are competitive proposals by different companies.

A closer analysis of these projects also indicate the following:

- (a) Of 46 projects completed as of June 30, 1974, 26 were in manufacturing; of the 67 projects under construction, 31 are in manufacturing; and of the 34 proposed projects, 9 are in manufacturing.
- (b) The significance of petroleum and petro-chemical products to the Alberta economy is underscored by the bulk of capital expenditures accounted for by this sector, \$5.58 billion or about 88% of the total capital expenditure for projects completed, under construction and proposed.
- (c) Employment created by sector is also most substantial in the petroleum and petrochemical products sector, 12,706, or 69% of the jobs created by the 147 projects.
- (d) In terms of regional impact, the North-East region will witness 10,222 jobs or 54% of the employment created by the 147 projects. A major portion of the capital expenditures, about 65%, will also be spent in this area.
- (e) In terms of number of projects, the Edmonton region accounts for 35 of the 147 projects listed.
- (f) The total value of projects under construction and proposed for the period under review is about \$6.3 billion, compared to the \$2.6 billion for projects under construction and proposed, compiled in January. The difference in these figures is mainly a result of new proposals in the petroleum and petrochemical sector. For example, three synthetic crude extraction plants have been added to the list. Upward revisions of capital expenditures for some projects in the first list published also contributed to the difference. For example, the expansion of the Calgary Power Sundance plant published as \$90 million, has now been re-evaluated up to \$290 million.

The survey was broken down by geographic region and industry group as well as the current status of the project. The highlights of the breakdown are as follows:

Northwest (North and West of Edmonton)

30 projects with capital expenditure of almost \$388 million, creating 1,721 jobs with the most significant developments in the Forest products industry where close to \$40 million expenditure could create an additional 1,006 jobs.

Northeast (North and East of Edmonton)

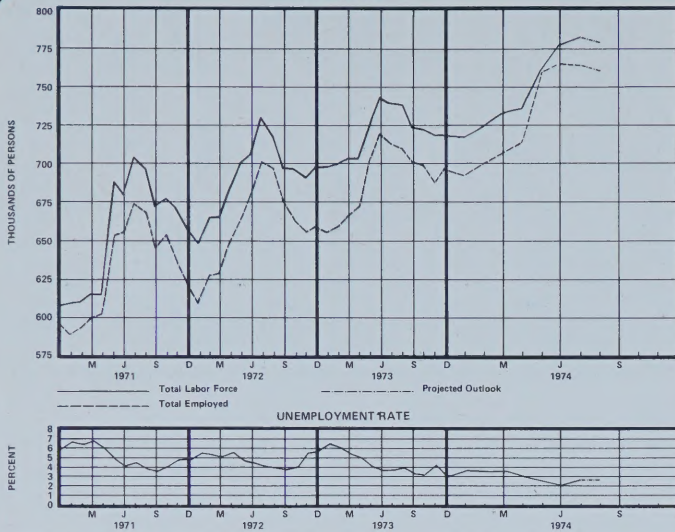
Of the 11 projects in this region, 6 in the petroleum and petrochemical industry account for almost 4 billion or 97.4% of all capital expenditures. There should be over 10,000 permanent jobs created, mainly in this industry, due primarily to the impact of the 4 synthetic crude

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Alberta

INDUSTRY AND COMMERCE

EMPLOYMENT

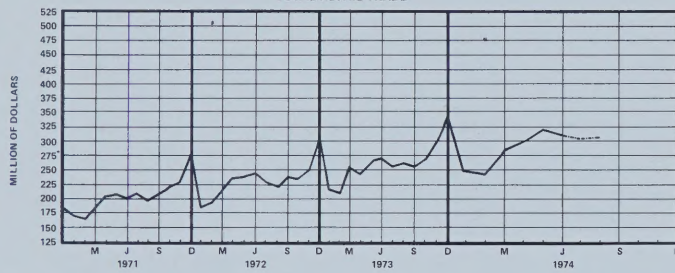


EMPLOYMENT

Employment	Actual Data				Forecast
	July/74	June/74	July/73	Aug./73	Aug./74
Labour force	782,000	776,000	740,000	740,000	777,000
Number employed	764,000	760,000	714,000	711,000	759,000
Number unemployed	18,000	16,000	26,000	29,000	18,000
Unemployment rate	2.3%	2.1%	3.5%	3.9%	2.3%

Comments: The number of unemployed in Alberta increased by 2000 in July, raising the unemployment rate by .2 percentage points, largely due to a drop in Agricultural employment by 8000. The unemployment rate should continue to lie in and around 2.3 to 2.7 percent during the immediate months ahead.

TOTAL RETAIL TRADE

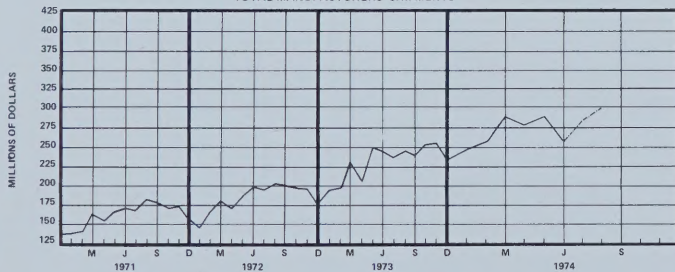


RETAIL TRADE \$ Millions

Retail Trade	June		%	Jan. — June		%	Forecast
	1973	1974	Change	1973	1974	Change	July/74
Value of Retail Trade in Alberta	271.0	312.2	+15.2	1453.4	1711.2	+17.7	303.0

Comments: July's forecast is almost 20 percent higher than July, 1973. Prospects for August are for very little change to a value of \$306 million, a 17 percent increase over the August 1973 value.

TOTAL MANUFACTURERS' SHIPMENTS

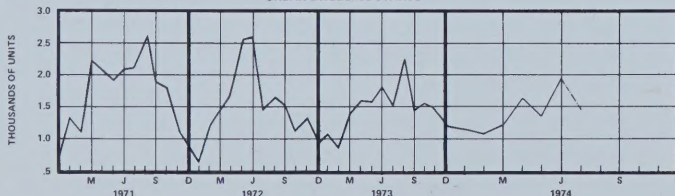


MANUFACTURING SHIPMENTS \$ Millions

Manufacturing Shipments	June		%	Jan. — June		%	Forecast
	1973	1974	Change	1973	1974	Change	July/74
Total manufacturing shipments	243.6	259.6	+6.6	1345.6	1591.5	+18.3	\$283

Comments: The small increase in June was totally inconsistent with 1974 performance to that date. The July forecast represents a return to more normal conditions, or up by almost 20 percent over July, 1973. Prospects for August are for a value of \$299 million, 22 percent above the August 1973 figure.

URBAN DWELLING STARTS

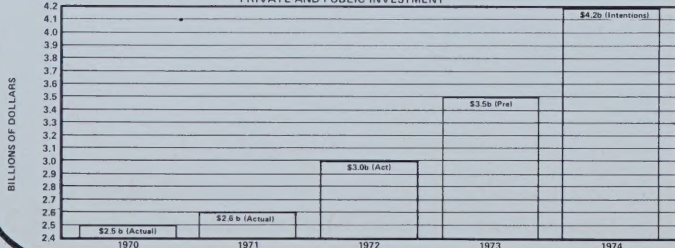


HOUSING

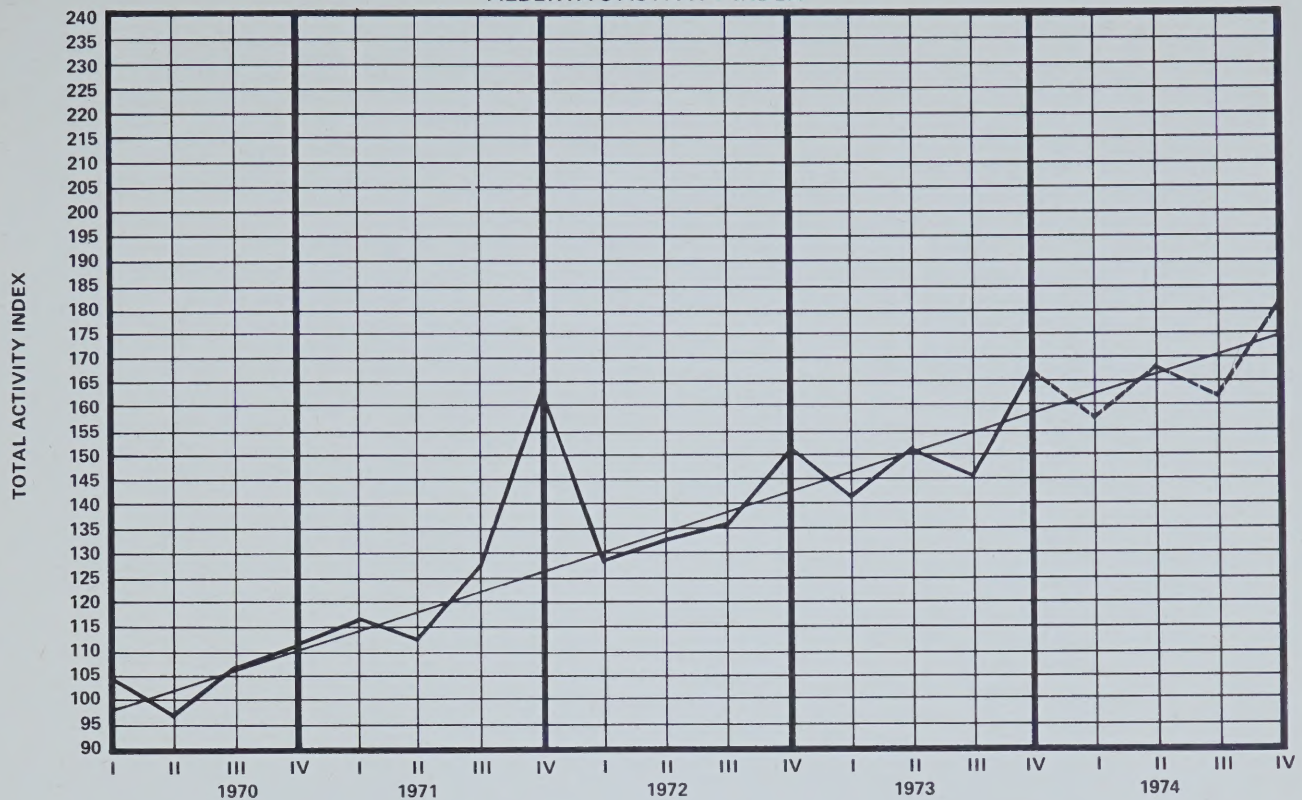
Urban Dwelling starts:	June		%	Jan. — June		%	Forecast
	1973	1974	Change	1973	1974	Change	July/74
Alberta total	1849	1904	+ 3.0	8239	8348	+ 1.3	1456
Calgary total	818	948	+15.9	3618	4010	+10.8	
Edmonton total	636	740	+16.4	3410	3117	+ 8.6	

Comments: The housing market was unexpectedly strong in June. The June total brings the second quarter of 1974 to 2.4 percent below the second quarter of 1973. July's forecast is a further 3 percent lower than the July 1973 level. Our third quarter forecast now stands at 4466, slightly below the third quarter of 1973.

PRIVATE AND PUBLIC INVESTMENT



ALBERTA'S ACTIVITY INDEX



PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

INDICATOR	Percentage Change in Volume Activity		
	Total Year 1972 - 1971	Total Year 1973 - 1972	Year to Date 1974 - 1973
MANUFACTURING			
Slaughtered Meat Production	+ 3.3	- 2.2	- 9.6 (Jan. - June)
Slaughtered Meat Exported	+ 5.3	- 0.6	- 2.3 (Jan. - June)
Refinery Production	+21.4	+10.0	+10.5 (Jan. - May)
Cement Production	+ 3.5	+ 7.8	- 0.6 (Jan. - June)
MINING			
Oil Production	+20.8	+19.6	+ 2.6 (Jan. - May)
Gas Production	+16.8	+ 7.3	+ 0.6 (Jan. - May)
Footage Drilled	+21.9	+28.3	+ 4.9 (Jan. - May)
Number of Wells Drilled	+13.1	+33.2	+90.9 (Jan. - May)
Coal Production	+14.1	- 0.4	+ 2.1 (Jan. - May)
CONSTRUCTION			
Urban Dwelling Starts	- 15.4	- 7.2	+ 1.3 (Jan. - June)
Rigid Insulation Board Shipments to Alberta	+ 5.9	- 1.7	- 4.4 (Jan. - June)
Value of Alberta Building Permits	+12.1	+20.0	+ 3.0 (Jan. - June)
AGRICULTURE			
Grain Shipments	- 2.9	- 16.4	+ 3.2 (Jan. - July)
Livestock Marketed	- 1.6	- 6.4	N/A (Jan.)
Farm Cash Receipts	+14.0	+32.3	+71.3 (Jan. - June)
FORESTRY			
Lumber Production	+16.0	+33.6	- 5.3 (Jan. - June)
Lumber Sales	+ 5.7	+17.5	- 22.5 (Jan. - June)
Lumber Exports	+24.7	+ 2.5	- 37.0 (Jan. - June)
Pulpwood Production	+47.8	+46.6	+120.0 (Jan. - June)

UNEMPLOYMENT RATE (unadjusted)	JULY 1974	JUNE 1974	JULY 1973	JUNE 1973
Canada	4.6	4.8	4.8	5.2
Alberta	2.3	2.1	3.5	3.2

CONSUMER PRICE INDEX (1961 = 100)

Calgary-Edmonton	157.3	155.7	141.8	141.1
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extraction plants in the Fort McMurray area which are estimated for completion in the 1980's. This accounts for 55% of the total provincial employment created.

Edmonton Region

There are 35 industrial projects listed, 26 of them in the manufacturing sector. 11 of these projects have been completed providing 545 permanent jobs. The petroleum and petrochemical industry with 3 projects accounts for approximately 85% of the \$829 million total capital expenditures for this region and a significant percentage of the 2,806 jobs created.

Central (Between Calgary and Edmonton)

Industrial activity is represented by 24 projects where up to \$180 million could be invested creating over 1,400 jobs. Mining accounts for over \$69 million and 700 jobs, the principal project being the Manalta Coal Ltd. proposal of \$60 million in the Gregg River area.

Calgary Region

Major industrial projects number 18, capital investment is estimated at approximately \$25 million which should create 677 permanent jobs. The manufacturing industries represent most of this activity with capital expenditure of almost \$24 million, resulting in an additional 610 employees. There were 7 completed manufacturing projects amounting to \$6.3 million, 7 projects under construction for \$13.8 million, the largest single project being the Firestone Tire & Rubber Co. expansion worth \$8 million.

Southwest (South of Calgary, West of and including Lethbridge)

12 projects involving more than \$125 million investment will create 496 jobs. There are 9 projects in the manufacturing sector with \$12.5 million expenditure. The Cominco Ammonia plant proposal with capital expenditure of \$112 million accounts for the bulk of the expenditures intended for this region.

Southeast (South of Calgary and East of Lethbridge)

Agricultural processing industries make up the largest number of projects, 8 of 17 with the petroleum and petrochemical industries having 7 projects, 4 proposed worth \$447 million, 2 under construction worth \$175 million and 1 completed, a methanol plant worth \$19 million creating 65 permanent jobs. The Alberta Ammonia Ltd. proposal in Raymond is the largest single project at \$400 million where upwards of 250 jobs could result. There are a possible 1,049 permanent jobs created in the region from the projects.

ECONOMIC ACTIVITY IN ALBERTA

Alberta's Industrial Activity Index

The Average Quarterly Index of Industrial Activity in Alberta, defined as an aggregate physical indicator of industrial activity in Alberta or a measure of the sum of the activities of the Alberta industry's component parts, has increased by an average of over 8 percent per year between 1968 and 1973. Contributing most significantly to this performance was the average annual growth of 11.4% in the

Mining Industries. In addition, Construction Industry activity grew by over 8%, the Forest Products Industries by almost 15.3%, the Agricultural Industries by less than 1%, the Utility Industries by over 12% and Alberta's Manufacturing Industry's increased by 5.8%.

The 1973 value of the Index rose by 5.8%, a slight acceleration upon the 5.6% increase experienced in 1972. A particularly strong performance was witnessed in the Mining Industries (a 22% increase), the Forest Products Industries (a 20.3% increase), and the Manufacturing Industries (a 6.6% increase). This was balanced however, by declining activity in the Construction Industry (a 7.3% decrease) and the Agricultural sector (a 11.6% decline). The outlook for 1974 is for continued industrial expansion in the economy due largely to substantial investment outlays made in 1973. Hence the Index is forecast to increase by 6.5% in 1974, highlighted mainly by strengthening Construction, Manufacturing and Agricultural sectors. Activity in the Mining sector, however, will not change significantly from that of 1973. Preliminary indications are that growth in Alberta's Industrial Activity Index is expected to moderate somewhat in 1975, to approximately a 5.8% increase. On a quarterly basis, activity will consistently remain high until the first quarter of 1975, pick-up again during the second and third quarters, and then slacken somewhat during the last quarter of 1975.

Movements in the Activity Index are indicative of the economy as a whole. Therefore, we should expect an acceleration in Alberta's economic growth, as measured by Real Gross Domestic Product, in 1974 followed by a slight moderation in 1975.

Gross Domestic Product

In 1973, Alberta's Gross Domestic Product (GDP) at market prices rose by 15.3% from \$8,480 million in 1972 to \$9,774 million in 1973. Unfortunately, figures on Real Gross Domestic Product are no longer available, but an estimate of the growth in Real GDP for 1973 would likely fall between 7 and 8%, which compares to an estimated 6% in 1972.

For 1974, growth in Gross Domestic Product at market prices is expected to accelerate due to increases in real physical production as well as price increases. Consequently, Gross Domestic Product is forecast to increase by between 16.5 and 17%, to a value of over \$11,380 million in 1974. Real growth in GDP in 1974 is also expected to exceed that of 1973, or from between 8 and 9%. Thus price adjustments will account from between 8 and 9% of the increased market value of domestic production in the Province in 1974.

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